

In Re: Scoobeez Global, Inc. Debtor(s)	CHAPTER 11 (BUSINESS) Case Number: Operating Report Number: For the Month Ending:	2:19-BK-14989-WB jointly administered with 2:19-BK-14997-WB; 2:19-BK-14991-WB 4 8/1/2019 to 8/31/2019
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I. CASH RECEIPTS AND DISBURSEMENTS
A. (GENERAL ACCOUNT*)

1. TOTAL RECEIPTS PER ALL PRIOR GENERAL ACCOUNT REPORTS	<u>425</u>
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR GENERAL ACCOUNT REPORTS	<u>325</u>
3. BEGINNING BALANCE:	<u>100</u>
4. RECEIPTS DURING CURRENT PERIOD: Accounts Receivable - Post-filing Accounts Receivable - Pre-filing General Sales Other (Specify) _____ **Other (Specify) _____	
TOTAL RECEIPTS THIS PERIOD:	<u>0</u>
5. BALANCE:	<u>100</u>
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD Transfers to Other DIP Accounts (from page 2) Disbursements (from page 2)	<u>-</u> <u>10</u>
TOTAL DISBURSEMENTS THIS PERIOD:***	<u>10</u>
7. ENDING BALANCE:	<u>90</u>
8. General Account Number(s):	<u>*****7303</u>
Depository Name & Location:	DIP Scoobeez Global Operating Wells Fargo 3200 Foothill, Blvd. La Crescenta, CA 91214

* All receipts must be deposited into the general account.

** Include receipts from the sale of any real or personal property out of the ordinary course of business; attach an exhibit specifying what was sold, to whom, terms, and date of Court Order or Report of Sale.

***This amount should be the same as the total from page 2.

Date mm/dd/yyyy	Check Number	Payee or DIP account	Purpose	*Amount Transferred	**Amount Disbursed	Amount
08/30/2019	Deduction	Wells Fargo Bank	Monthly Service Fee		10	10
TOTAL DISBURSEMENTS THIS PERIOD:					10	10

* Fill in amounts in this column if they are TRANSFERS to another DIP account (e.g. Payroll or Tax); the "amount" column will be filled in for you.

** Fill in amounts in this column if they are DISBURSEMENTS to outside payees; the "amount" column will be filled in for you.

Bank statement Date: 8/31/2019 Balance on Statement: 90

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

0

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS:

0

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE:

90

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

1. TOTAL RECEIPTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR PAYROLL ACCOUNT REPORTS	_____
3. BEGINNING BALANCE:	_____
4. RECEIPTS DURING CURRENT PERIOD: (Transfer from General Account)	_____
5. BALANCE:	_____
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	_____
7. ENDING BALANCE:	_____
8. PAYROLL Account Number(s):	_____
Depository Name & Location:	_____

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
TOTAL DISBURSEMENTS THIS PERIOD:				

Bank statement Date: 8/31/2019 Balance on Statement: _____

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS:

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE:

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

1. TOTAL RECEIPTS PER ALL PRIOR TAX ACCOUNT REPORTS	_____
2. LESS: TOTAL DISBURSEMENTS PER ALL PRIOR TAX ACCOUNT REPORTS	_____
3. BEGINNING BALANCE:	_____
4. RECEIPTS DURING CURRENT PERIOD: (Transfer from General Account)	_____
5. BALANCE:	_____
6. LESS: TOTAL DISBURSEMENTS DURING CURRENT PERIOD TOTAL DISBURSEMENTS THIS PERIOD:***	_____
7. ENDING BALANCE:	_____
8. TAX Account Number(s):	_____
Depository Name & Location:	_____

Date mm/dd/yyyy	Check Number	Payee	Purpose	Amount
TOTAL DISBURSEMENTS THIS PERIOD:				

Bank statement Date: 8/31/2019 Balance on Statement: _____

Plus deposits in transit (a):

<u>Deposit Date</u>	<u>Deposit Amount</u>

TOTAL DEPOSITS IN TRANSIT

Less Outstanding Checks (a):

<u>Check Number</u>	<u>Check Date</u>	<u>Check Amount</u>

TOTAL OUTSTANDING CHECKS:

Bank statement Adjustments:

Explanation of Adjustments-

ADJUSTED BANK BALANCE:

* It is acceptable to replace this form with a similar form

** Please attach a detailed explanation of any bank statement adjustment

ENDING BALANCES FOR THE PERIOD:

(Provide a copy of monthly account statements for each of the below)

General Account:	\$90
Payroll Account:	
Tax Account:	
*Other Accounts:	
*Other Monies:	
**Petty Cash (from below):	\$0

TOTAL CASH AVAILABLE: \$90

Petty Cash Transactions:

Date	Purpose	Amount
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

TOTAL PETTY CASH TRANSACTIONS: \$0

* Specify the Type of holding (e.g. CD, Savings Account, Investment Security), and the depository name, location & account#

** Attach Exhibit Itemizing all petty cash transactions

Creditor, Lessor, Etc.	Frequency of Payments (Mo/Qtr)	Amount of Payment	Post-Petition payments not made (Number)	Total Due
TOTAL DUE:				

III. TAX LIABILITIES

FOR THE REPORTING PERIOD:

Gross Sales Subject to Sales Tax: _____
 Total Wages Paid: _____

Federal Withholding
 State Withholding
 FICA- Employer's Share
 FICA- Employee's Share
 Federal Unemployment
 Sales and Use
 Real Property
 Other: _____

Total Post-Petition Amounts Owing	Amount Delinquent	Date Delinquent Amount Due
TOTAL:		

	*Accounts Payable Post-Petition	Accounts Receivable	
	Pre-Petition	Post-Petition	
30 days or less			
31 - 60 days			
61 - 90 days			
91 - 120 days			
Over 120 days			
TOTAL:			

V. INSURANCE COVERAGE

Type	Name of Carrier	Amount of Coverage	Policy Expiration Date	Premium Paid Through (Date)
Office Building	Liberty Mutual	\$1M	12/5/2019	12/5/2019
Others:				

VI. UNITED STATES TRUSTEE QUARTERLY FEES
(TOTAL PAYMENTS)

Quarterly Period Ending (Date)	Total Disbursements	Quarterly Fees	Date Paid	Amount Paid	Quarterly Fees Still Owing
		0		0	0

* Post-Petition Accounts Payable SHOULD NOT include professionals' fees and expenses which have been incurred but not yet awarded by the court. Post-Petition Accounts Payable SHOULD include professionals' fees and expenses authorized by Court Order but which remain unpaid as of the close of the period report

Name of Insider	Date of Order Authorizing Compensation	*Authorized Gross Compensation	Gross Compensation Paid During the Month

VIII. SCHEDULE OF OTHER AMOUNTS PAID TO INSIDERS

Name of Insider	Date of Order Authorizing Compensation	Description	Amount Paid During the Month

* Please indicate how compensation was identified in the order (e.g. \$1,000/week, \$2,500/month)

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STATEMENT OF INCOME AND EXPENSES
(CERUAL BASIS ONLY)

	8/1/2019 through 8/31/2019	7/1/2019 through 7/31/2019	6/1/2019 through 6/30/2019	4/30/2019 through 5/31/2019	Cumulative Post-Petition
Sales/Revenue:					
Gross Sales/Revenue	0	0	0	0	0
Less: Returns/Discounts	0	0	0	0	0
Net Sales/Revenue	0	0	0	0	0
Cost of Goods Sold:					
Beginning Inventory at cost	0	0	0	0	0
Purchases	0	0	0	0	0
Less: Ending Inventory at cost					0
Cost of Goods Sold (COGS)	0	0	0	0	0
Gross Profit	0	0	0	0	0
Other Operating Income (Itemize)					0
Operating Expenses:					
Payroll - Insiders	0	0	0	0	0
Payroll - Other Employees	0	0	0	0	0
Payroll Taxes	0	0	0	0	0
Other Taxes (Itemize)	0	0	0	0	0
Filing Fees	0	0	0	0	0
Depreciation and Amortization	0	0	313	0	313
Rent Expense - Real Property	0	0	0	0	0
Lease Expense - Personal Property	0	0	0	0	0
Insurance	0	0	0	0	0
Real Property Taxes	0	0	0	0	0
Telephone and Utilities	0	0	0	0	0
Repairs and Maintenance	0	0	0	0	0
Travel and Entertainment (Itemize)	0	0	0	0	0
Miscellaneous Operating Expenses (Itemize) (1)	10	0	0	0	0
Total Operating Expenses	10	0	313	0	323
Net Gain/(Loss) from Operations	(10)	0	(313)	0	(323)
Non-Operating Income:					
Interest Income	0	0	0	0	0
Net Gain on Sale of Assets (Itemize)	0	0	0	0	0
Other (Itemize)	0	0	0	0	0
Total Non-Operating income	0	0	0	0	0
Non-Operating Expenses:					
Interest Expense	0	0	0	0	0
Legal and Professional (Itemize)	0	0	0	0	0
Other (Itemize)	0	0	0	0	0
Total Non-Operating Expenses	0	0	0	0	0
NET INCOME/(LOSS)	(10)	0	(313)	0	(323)

(Attach exhibit listing all itemizations required above)

(1) Wells Fargo Monthly bank fee of \$10.

	Current Month End	
ASSETS		
Current Assets:		
Unrestricted Cash	90	
Restricted Cash		
Accounts Receivable		
Inventory		
Notes Receivable from Scoobeez - Hillair Note	11,153,098	(1)
MCA Settlement from Scoobeez (Operating)	8,098,859	
Prepaid Expenses		
Other (Itemize)	(640,000)	(3)
Total Current Assets		18,612,047
Property, Plant, and Equipment	8,757	
Accumulated Depreciation/Depletion	(5,109)	
Net Property, Plant, and Equipment		3,648
Other Assets (Net of Amortization):		
Due from Insiders		
Other (Itemize)	1,416,090	(2)
Total Other Assets		1,416,090
TOTAL ASSETS		20,031,785
LIABILITIES		
Post-petition Liabilities:		
Accounts Payable		
Taxes Payable		
Notes Payable		
Professional fees		
Secured Debt		
Other (Itemize)	(640,000)	(3)
Total Post-petition Liabilities		(640,000)
Pre-petition Liabilities:		
Notes Payable Due to Hillair	11,153,098	(3)
Priority Liabilities		
Unsecured Liabilities	11,079,899	(4)
Other (Itemize)		
Total Pre-petition Liabilities		22,232,997
TOTAL LIABILITIES		21,592,997
EQUITY:		
Pre-petition Owners' Equity	(1,560,889)	
Post-petition Profit/(Loss)	(323)	
Direct Charges to Equity		
TOTAL EQUITY		(1,561,212)
TOTAL LIABILITIES & EQUITY		20,031,785

(1) The amount purportedly borrowed from Hillair Capital Management ("Hillair") was passed through the Debtor (the parent company) to Scoobeez (the Debtor's subsidiary, which is the operating entity).

(2) This amount represents the value of Goodwill attributed to the purchase of Scoobeez and Scoobur in 2015.

(3) Since the petition date Scoobeez has paid \$640K to Hillair pursuant to cash collateral stipulations and order(s) thereon, and this amount should be applied in a manner consistent therewith.

(4) The unsecured liabilities reflected in the books of the Debtor are itemized as follows: Imran Firoz accrued salary (\$243,933), Shahan Ohanessian accrued salary (\$685,000), Richard Dolan (\$500,000 note payable and \$165,278 in interest payable), advance from Shahan Ohanessian (\$1,323,500), and other notes payable and accrued expenses, all of which are being reviewed by the Debtors' Chief Restructuring Officer and will be revised as necessary and appropriate. In addition, of the total unsecured liabilities, \$8,090,859 consists of unsecured liabilities in favor of various merchant cash advance companies (collectively, the "MCA's") as reflected in the settlement agreement by and among the Debtor and Scoobeez on the one hand and the MCA's on the other hand.

- | | | |
|--|---|---|
| <p>1. Has the debtor-in-possession made any payments on its pre-petition unsecured debt, except as have been authorized by the court? If "Yes", explain below:</p> <hr/> <p>2. Has the debtor-in-possession during this reporting period provided compensation or remuneration to any officers, directors, principals, or other insiders without appropriate authorization? If "Yes", explain below:</p> <hr/> <p>3. State what progress was made during the reporting period toward filing a plan of reorganization</p> | <p>No
<input type="checkbox"/></p> <p>Yes
<input checked="" type="checkbox"/></p> | <p>No
<input type="checkbox"/></p> <p>Yes
<input checked="" type="checkbox"/></p> |
|--|---|---|

On or about August 1, 2019, the Debtors filed a Motion For Entry of an Order Extending the Deadline Pursuant to Section 365(d)(4) of the Bankruptcy Code to Assume or Reject Unexpired Leases of Nonresidential Real Property (the "Lease Extension Motion") and a Motion to Extend the Exclusivity Period for Filing a Chapter 11 Plan and Disclosure Statement (the "Exclusivity Motion"). On or about August 2, 2019, the Court granted the Debtors' Motion to Set Bar Date to File Proofs of Claim, and the related Notice of Bar Date for Filing Proofs of Claim [and Interest] was filed and served on all requisite parties-in-interest on or about August 6, 2019. On August 7, 2019 and August 8, 2019, the Court entered orders continuing the hearings on the motions for relief from stay filed by Arturo Vega and Unta Key and Roy Castellanos (the "Castellanos RFS Motion"), respectively, to September 10, 2019 at 10:00 a.m. On August 14, 2019 and August 21, 2019, the Official Committee of Unsecured Creditors (the "Committee") filed a Stipulation [between the Committee and Hillair Capital Management, LLC ("Hillair")] Further Extending Deadline for Official Committee of Unsecured Creditors to Challenge Claim and Lien of Hillair Capital Management, LLC, the former of which was approved by order of the Court entered on August 15, 2019. On or about August 21, 2019, the Debtors filed a stipulation resolving the (limited) objection(s) to the Exclusivity Motion. On or about August 26, 2019, the Court entered an order granting the relief sought by and through the Lease Extension Motion. On or about August 29, 2019, the Debtors filed a stipulation between the Debtor(s) and Ray Castellanos that resolved the Castellanos RFS Motion.

On or about August 29, 2019, the Debtors filed a Notice of Motion and Motion for Entry of an Order (i) Approving Bidding Procedures for Sale of Assets; (ii) Approving the Expense Reimbursement; (iii) Approving the Process for Notifying Non-Debtor Contract Counterparties of Assumption and Assignment of Contracts; and (iv) Granting Related Relief, in which the Debtors sought, amongst other things, entry of an order approving Hillair as the stalking horse bidder (the "Bid Procedures Motion"). The hearing on the Bid Procedures Motion was set for September 5, 2019 at 10:00 a.m. Throughout the month of August, Armory Securities (the Debtors' investment banker) continued to work closely with the Debtors to market the business(es) in search of (a) qualified bidder(s) and/or (a) recapitalization partner(s).

4. Describe potential future developments which may have a significant impact on the case:

See answer to question #3. Armory will continue to explore a sale of the assets and a recapitalization of the business in order to determine which exit strategy is most value maximizing to the Debtors.

5. Attach copies of all Orders granting relief from the automatic stay that were entered during the reporting period.

6. Did you receive any exempt income this month, which is not set forth in the operating report? If "Yes", please set forth the amounts and sources of the income below.

<hr/>	<p>No <input type="checkbox"/></p> <p>Yes <input checked="" type="checkbox"/></p>
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/s/ George Voskanian

I, George Voskanian, CFO/Co-CEO

declare under penalty of perjury that I have fully read and understood the foregoing debtor-in-possession operating report and that the information contained herein is true and complete to the best of my knowledge.